



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

One South Station • Boston, MA 02110-2208
(617) 521-7794 • FAX (617) 521-7475
TTY/TDD (617) 521-7490
<http://www.mass.gov/doi>

DEVAL L. PATRICK
GOVERNOR

TIMOTHY P. MURRAY
LIEUTENANT GOVERNOR

DANIEL O'CONNELL
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

DANIEL C. CRANE
DIRECTOR

NONNIE S. BURNES
COMMISSIONER OF INSURANCE

April 6, 2007

The Honorable Alfred W. Gross
Chairman, NAIC Financial Condition (E) Committee
Commissioner, Bureau of Insurance
Commonwealth of Virginia
PO Box 1157
1300 East Main Street
Richmond, VA 23219

The Honorable Thomas E. Hampton
Secretary, Northeast Zone
Commissioner, Dept. of Insurance, Securities, and Banking
Government of the District of Columbia
810 First Street, N. E., Suite 701
Washington, DC 20002

The Honorable Nonnie S. Burnes
Commissioner of Insurance
The Commonwealth of Massachusetts
One South Station, 5th Floor
Boston, MA 02110

Honorable Commissioners:

Pursuant to your specific instructions and in accordance with Section 4 of Chapter 175 of Massachusetts General Laws ("MGL"), an examination has been made of the financial condition and affairs of:

NEW ENGLAND TITLE INSURANCE COMPANY

at its main office located at 151 Tremont Street, Boston, MA. 02111. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The New England Title Insurance Company, (hereinafter referred to as “the Company”), was last examined as of December 31, 2000, under the association plan of the National Association of Insurance Commissioners by the Massachusetts Division of Insurance. The current examination was conducted by the Massachusetts Division of Insurance and covers the five year period from January 1, 2001, through December 31, 2005, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination. The examination was conducted in accordance with standards using limited procedures established by the National Association of Insurance Commissioners (“the NAIC”) Financial Condition (E) Committee and prescribed by the current NAIC Financial Condition Examiners Handbook.

In addition to a review of the financial condition of the Company, the examination included a review of the Company’s business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, disaster recovery procedures, fidelity bonds and other insurance, treatment of policyholders and other pertinent matters to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk, examination efforts were directed accordingly.

HISTORY

General

New England Title Insurance Company, a Massachusetts corporation primarily engaged in the title insurance business, was initially chartered as a stock company on January 21, 1925, under the name of Title Insurance and Mortgage Guarantee Company of Hampden County. The Company, under Chapter 175 of the Massachusetts General Laws, was granted the authority to issue title insurance to real estate property, furnish information related thereto, and guarantee or insure owners and/or leaseholders against loss by reason of defective titles.

Capital Stock

As of December 31, 2005, the authorized and outstanding capital stock of the Company was as follows:

<u>Class</u>	<u>Number Shares Authorized</u>	<u>Number Shares Outstanding</u>	<u>Par-Value Per Share</u>	<u>Capital Stock</u>
Common	2,000	2,000	\$ 50.00	\$ 100,000

Growth of the Company

The growth of the Company for the years 2001 through 2005 is shown in the following schedule, which was prepared from the Company's Annual Statement's Five Year Historical Data, including any changes as a result of this examination.

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Net Income</u>
2001	\$ 200,116	\$ 0	\$ 200,116	\$ 6,356
2002	212,466	312	212,154	1,446
2003	235,753	316	235,437	5,907
2004	252,035	346	251,689	(5,428)
2005	246,501	226	246,275	(2,765)

Management

Annual Meeting

In accordance with Company by-laws, the Annual Meeting of the Company is held on the first Monday in April in each year at such place within Massachusetts as the Directors shall appoint. The meetings of the stockholders shall be held at the principal office of the Corporation, 151 Tremont Street (PH), Boston, MA 02111, unless a different place is predetermined by the Directors or the President and stated in the notice of the meeting.

Our review of the Company's by-laws ascertain that; "Unless the articles of organization otherwise provide, the holders of the majority of the number of shares of the stock issued, outstanding and entitled to vote on any matter shall constitute a quorum". Chapter 175, Section 57, clearly establish that a company's Board of Directors shall consist of no less than five members and that no less than four shall constitute a quorum. As a result, it is recommended that the Company comply with Massachusetts General Law Chapter 175 Section 57, and a special meeting of the stockholders be called by the president to amend the Company by-laws.

Board of Directors

The by-laws impart that the business and affairs of the Company shall be managed by the Board of Directors except as otherwise provided by the Articles of Incorporation or by the Company by-laws. The by-laws do not specify the number of meetings to be held during a year. The minutes of the Board of Directors point out that meetings were held at least once per year.

Directors duly elected and serving at December 31, 2005 with addresses and business affiliations follow:

<u>Director</u>	<u>Business Affiliation</u>	<u>Residence</u>
William M. Kargman	President, Treasurer and Director	Cambridge, MA
Maureen Haas	Director, Clerk	North Reading, MA
Marie W. Kargman	Vice President and Director	Belmont, MA
Donna Donaghy	Director	North Kingstown, RI
Robert Kargman	Director	Brookline, MA

Officers

Pursuant to the by-laws, the Officers of the Company are elected by a vote of the Board of Directors immediately after and at the same place as such meeting of the stockholders, at the first meeting of the Board of Directors. The elected Senior Officers and their titles at December 31, 2005, are as follows:

<u>Name</u>	<u>Title</u>
William M. Kargman	President, Treasurer
Maureen Haas	Vice President of Accounting Services

Corporate Records

For the period covered by this examination, the Company's corporate records were reviewed to include the Company's by-laws, Articles of Organization and minutes of the meetings. They were reviewed for accuracy and for compliance as well as for statutory requirements and regulatory observance. The minutes of the meetings of the Board of Directors held throughout the examination period were also reviewed for agreement with its by-laws. It was noted that all elections of Directors and Officers were found to be in order.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized Massachusetts insurer, consistent with Massachusetts General Law Chapter 175, Section 60. The aggregate limit of liability exceeds the NAIC suggested minimum.

INSURANCE PRODUCTS AND RELATED PRACTICES

Policy Forms and Underwriting Practices

The Company offers primarily title coverage utilizing policy forms, riders and endorsements that are subject to the approval of the Massachusetts Division of Insurance. A sample of policy forms, riders and endorsements subject to approval by the Massachusetts Division of Insurance during the examination period were reviewed as part of this examination. Each appeared to be properly filed and approved for use in accordance with Massachusetts General Law Chapter 175, Section 2 (b), Section 191 and, Section 192.

Territory and Plan of Operation

The Company is authorized under Massachusetts General Law Chapter 175, Section 47 to write business in Massachusetts only.

Policyholder Complaints

During the course of the examination, a general review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. This review was limited in nature and was substantially narrower than a full scope market conduct examination. There were no complaints against the Company for the years 2001 through 2005.

REINSURANCE

As of December 31, 2005, the Company has not ceded business to or assumed business from any reinsurance company. Effective February 9, 1994, however, the Company entered into a reinsurance agreement with First American Title Insurance Company, an authorized title insurer domiciled in California. The agreement provides that First American assumes 100% of the liability for all losses in excess of the Company's \$100,000 retention for each policy written.

ACCOUNTS AND RECORDS

The internal control structure was discussed with the vice president of accounting services through an informal question and answer session and no material deficiencies were noted given the limited number of staff. The Company uses an automated general ledger system. Balances were traced from the general ledger and supporting documents to the December 31, 2005, Annual Statement. No material exceptions were noted. For the period under examination, the examiner noted that the Company did not acquire the services of an independent certified public accounting firm to render an opinion on the Company's financial statements. However, it was noted that the Company is exempt from the auditing requirement in accordance with 211 CMR 23.03: "Insurers having both direct premiums written of less than \$1,000,000 in any calendar

year and less than 1,000 policyholders or certificate holders of directly written policies nationwide at end of such calendar year shall be exempt from 211 CMR 23.00 et seq. for such year.”

FINANCIAL STATEMENTS

The following financial statements are presented on the basis prescribed by the NAIC Accounting Practices and Procedures Manual which are the principal accounting practices and procedures promulgated by the National Association of Insurance Commissioners and the Commonwealth of Massachusetts Division of Insurance:

- Statement of Assets, Liabilities, Surplus and Other Funds, December 31, 2005;
- Statement of Income for the Year Ended December 31, 2005;
- Statement of Capital and Surplus for the Year Ended December 31, 2005;
- Reconciliation of Capital and Surplus for the Five Year Period Ended December 31, 2005.

New England Title Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds
for the Year Ended December 31, 2005

	Per Annual Statement	Examination Adjustments	Per Examination
<u>Assets</u>			
Bonds	\$ 1,270	\$ -	\$ 1,270
Common Stocks	147,680		147,680
Cash	97,539		97,539
Investment income due and accrued	12		12
Total assets	<u>\$ 246,501</u>	<u>\$ -</u>	<u>246,501</u>
<u>Liabilities, Surplus and Other Funds</u>			
Taxes Licenses and fees	\$ 80	\$ -	\$ 80
Current federal income taxes	146		146
Total Liabilities	<u>226</u>	<u>-</u>	<u>226</u>
Common Capital Stock	100,000		100,000
Unassigned funds	146,275		146,275
Surplus as regards policyholders	<u>246,275</u>	<u>-</u>	<u>246,275</u>
Total liabilities, surplus and other funds	<u>\$ 246,501</u>	<u>\$ -</u>	<u>\$ 246,501</u>

New England Title Insurance Company
Statement of Income
for the Year Ended December 31, 2005

	Per Annual Statement	Examination Adjustments	Per Examination
Operating expenses incurred	\$ 10,805		\$ 10,805
Net Operating gain (loss)	(10,805)		(10,805)
Net investment income earned	8,040		8,040
Net income before dividends and taxes	(2,765)		(2,765)
Net unrealized capital gains or losses	(2,649)		(2,649)
Net income	<u>\$ (5,414)</u>	<u>\$ -</u>	<u>\$ (5,414)</u>

New England Title Insurance Company
Statement of Capital and Surplus
for the Year Ended December 31, 2005

	Per Annual Statement	Examination Adjustments	Per Examination
Beginning Surplus	\$ 251,689	\$ -	\$ 251,689
Net Income	(2,765)		(2,765)
Change in Net Unrealized Gains (Losses)	(2,649)		(2,649)
Change in Deferred Tax Asset	-		-
Ending Surplus	<u>\$ 246,275</u>		<u>\$ 246,275</u>

New England Title Insurance Company
Reconciliation of Capital and Surplus
for the Five Year Period Ended December 31, 2005

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Surplus as regards policyholders, December 31, prior year	\$ 251,689	235,437	212,154	200,116	164,440
Net Income	(2,765)	(5,428)	5,907	1,446	6,356
Change in Net Unrealized Gains (Losses)	(2,649)	21,680	17,376	10,592	29,320
Change in Surplus	(5,414)	16,252	23,283	12,038	35,676
Surplus as regards policyholders, December 31, current year	<u>\$ 246,275</u>	<u>251,689</u>	<u>235,437</u>	<u>212,154</u>	<u>200,116</u>

For Information Purposes Only

COMMENTS

Subsequent Events

The Company has been dormant for the past few years and has issued no policies for the last 10 years. Each year the Company renews the certificate of authority to keep an active status, but no business is being conducted. Their asset is mainly the results of unrealized gains on 3,200 shares of common stock as reported by the custodian Goldman Sachs. As of March 28, 2007, New England Title Insurance Company provided a letter of its intent to the Commissioner of Insurance to sell the Company and its Charter based upon Chapter 175 Section 44.

For Information Purposes Only

CONCLUSION

The undersigned gratefully acknowledge the cooperation and courtesies extended by the officers and employees of the Company during the course of the examination.

Respectfully submitted,

Yvette P. Nelson –Smith
Examiner - In - Charge
Commonwealth of Massachusetts
Division of Insurance

Hilton A. Irizarry, CFE
Commonwealth of Massachusetts
Division of Insurance

Kenneth R. Brenner, CPA
Supervising Examiner
Commonwealth of Massachusetts
Division of Insurance

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